

Roger Letterman



INDIANAPOLIS POWER & LIGHT COMPANY

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STATE OF INDIANA
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
OFFICE OF AIR MANAGEMENT

Via Hand Deliver-v

Ms. Kathryn Watson, Chief
Air Programs Branch
IDEM • Office of Air Management
100 N. Senate Avenue
Indianapolis, Indiana 46204

RE: Preliminary Comments on Draft **NO_x** SIP Call Rule
C.C. Perry K Generating Station

Dear Ms. Watson,

Indianapolis Power & Light Company is pleased to submit these comments on behalf of the C.C. Perry K Steam Generating Station. The C. C. Perry K Steam Generating Station (Perry K) is the primary source of steam for the Indianapolis district steam system owned and operated by the Indianapolis Power and Light Company. The plant produces steam and electricity from a variety of fuel sources including coal, oil, natural gas, and coke oven gas. The piping network involves approximately 24 miles of piping, which distributes steam to approximately 250 individual customers. In **terms** of steam sales, this particular district steam system is second only to New York City in the United States.

Perry K, however, is not the only source of steam to the distribution system. Approximately 50% of the steam supplied to the system is produced at the Indianapolis Resource Recovery Facility (IRRF) operated by Ogden Martin Systems. Perry K and the IRRF operate symbiotically to meet the load demands of the steam system. When faced with an unexpected loss of steam capacity (either due, for example, to operational problems at IRRF or physical problems with steam supply piping), the steam demand must be made up by Perry K to insure that the customer's needs are met.

This "on demand" type of operation at Perry K makes it difficult to predict **future** operational capacities. If, for whatever reason, the IRRF ceases to exist, then it would be left to Perry K to meet the steam demands using available capacity at the plant.

In addition to the steam generating capacity, Perry K has two (2) steam turbine generators with a combined capacity of 20 **MWe**. The electricity generated is used as

internal plant power, or exported to the electric grid for sale or use by Indianapolis Power & Light.

In early 2000, the sale of the Perry K plant to Citizens Gas & Coke Utilities was announced. It is expected that the closing will occur sometime in mid-November. Following the closing of the sale, all of the electricity generated by the turbines at Perry K and not used as internal plant power will be sold to Indianapolis Power & Light Company at a contracted price established by the two parties.

All of this information helps to set the stage for the discussion of Perry K under any rules that **IDEM** will develop in response to the U.S. EPA's **NO_x** SIP Call.

In terms of the categorization of Perry K under the U. S. EPA's **NO_x** SIP Call, Perry K is classified as a "small EGU" in the budget. This classification comes from the way in which the U.S. EPA identified units which meet their criteria for EGU, including:

- an affected unit under Title IV of the Clean Air Act;
a unit which files EIA-767 with the Department of Energy's Energy Information Administration.

For purposes of allowance allocation under the **NO_x**

allocations to large EGU units to determine the total EGU budget for the state of Indiana. The net result of such an allocation methodology is an expectation of zero emissions reductions from units classified as "small EGU."

Regardless of this, however, under **IDEM's**

allowance allocations to large **EGUs** and large affected boilers under the draft rule language which has been made available. Under the draft budget for large affected boilers, Perry K boilers 11, 12, 13, 14, 15 and 16 were allocated **NO_x** allowances which equate to a 65% reduction from baseline emissions.

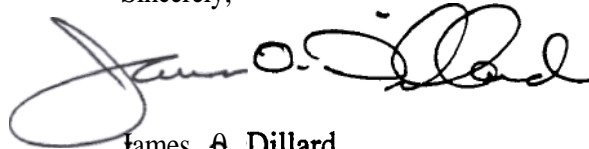
There are two distinct issues raised by **IDEM's** draft rule. First, the U.S. EPA did not anticipate that reductions **from** units classified as "small EGU" were necessary for a

state to meet its budget target. Second, the allocation methodology proposed for use by **IDEM** does not take into account the symbiotic relationship between Perry **K** and the **IRRF**.

These two issues will be the main focus of our discussion when we meet with you and others from **IDEM** on Thursday, November 3, 2000 at 11:00 a.m. at the **IDEM** office. It is our hope that, following the meeting, you will reconsider your treatment of the C.C. Perry **K** Generating Station under this rule by revising the definition of large affected boiler to specifically exclude those units classified as small EGU by the U.S. EPA when it developed the **NOx** budget for the state of Indiana.

Please don't hesitate to contact me should you have questions before our meeting concerning the issues raised in this letter. I look forward to meeting you on November 3rd.

Sincerely,

A handwritten signature in dark ink, appearing to read "James H. Dillard". To the right of the signature, the date "10/30/00" is handwritten.

James H. Dillard,
Director of Engineering,
C. C. Perry K Generating Station

cc: Janet McCabe, **IDEM**
Roger Letterman, **IDEM**
Shri Harsha, **IDEM**